

# **HONDA CARS INDIA LIMITED**

## **VIGIL MECHANISM POLICY- Business Ethics Proposal Line (BEPL)**

### **A. BACKGROUND**

Honda Cars India Limited's (HCIL's) stated vision and goal is to become a company that society would want to exist.

Accordingly, it is imperative to establish a system and organization to guarantee fairness and transparency of company operations and to meet expectation of the stakeholders and the society, by adopting highest standards of professionalism, honesty, integrity and ethical behavior.

Consequently, **Honda Corporate Governance (HCG)** has been established to assure the quality of corporate management. HCG emphasizes the accountability and responsibility of every Honda associate in establishing the highest standards of corporate governance through their daily operations.

#### **A.1 Outline of HCG**

During the implementation of HCG, following actions were taken to ensure the effectiveness and quality of corporate management:

1. Formation of HCG Organization and Internal Controls Checklist
2. Establishment of Honda Code of Conduct
3. Risk Management System
4. Establishing Internal Audit System, and
5. Establishing a **Vigil Mechanism** "Business Ethics Proposal Line (BEPL)", for Directors and Associates, whether working in India or abroad, to raise concerns relating to unethical or improper conduct

### **B. VIGIL MECHANISM POLICY - Business Ethics Proposal Line (BEPL)**

Honda (HCIL) is committed to conduct the business considering the stakeholders' interest. These stakeholders include our associates, customers, suppliers, dealers and the community. Stakeholders' interest can be sustained if company runs business with transparency, fairness and efficiency. Large companies need to implement internal control systems to ensure the same, in response to both stakeholders and society's interest, at large.

As part of robust Corporate Governance system and in line with HCIL's commitment to open communication and transparency, the **VIGIL MECHANISM / BEPL** Policy – was established, with the aim to provide an avenue for Directors and Associates whether working in India or abroad, to report their genuine concerns or grievances.

The Vigil Mechanism Policy also meets the requirement of the provisions of Section 177 of the Companies Act, 2013, vide which it had been made mandatory for certain class of companies (HCIL falls under such class of companies) to establish a "Vigil

Mechanism” in order to provide an avenue to the Directors and employees to report genuine concerns.

As a step further towards enhancing the robustness of the Corporate Governance System, w.e.f. 1<sup>st</sup> April, 2017, the avenue of the Company’s Vigil Mechanism Policy has been extended to the Business Partners including Vendors/Suppliers and Dealers to report their genuine concerns or grievances.

The Policy aims at giving assurance that they will be protected from reprisals or victimization and to prohibit managerial personnel from taking any adverse personnel or business actions against those who have made a disclosure or raised a concern under this Policy.

However, the Policy cannot be used as a route for raising malicious or unfounded allegations about a personal situation or with a mala fide intent.

## **B.1 What to Report**

The **VIGIL MECHANISM** / BEPL Policy is intended to cover serious concerns that could have a substantial impact on HCIL i.e. issues affecting the Company and/or issues involving operations/divisions or issues unlikely to be reviewed appropriately in regular reporting.

Some of these concerns could relate to:

1. Incorrect financial reporting or manipulation of company data/records.
2. Gross waste or misappropriation of company funds and property.
3. A deliberate violation of any law.
4. Criminal Offence.
5. Not in line with company policy/rules, including the Honda Code of Conduct.
6. A substantial and specific danger to Associate health and safety.
7. Pilferage/Leakage of confidential information of the company.
8. Fraudulent Activities.
9. Corruption and Bribery.
10. Omission to perform duty.
11. Any other unethical or gross Misconduct.

The above list is indicative and should not be construed as exhaustive.

However, other reported matters (apart from the above) which may be called routine & operational, shall be referred to the respective Divisional Heads / Operating Heads. The matter shall be reviewed by the Divisional Head / Operating Head along with plan of countermeasure.

Investigation may not be possible unless sufficient and specific factual information is provided. The Complainant is not expected to prove the truth of an allegation. However, he/she must show sufficient factual grounds for concern.

## **B.2 Methods of Reporting concerns**

Concerns should be reported within 30 days of becoming aware, as follows:-

- Issue can be dropped in VIGIL MECHANISM/ BEPL drop boxes put up at appropriate locations in the Company's Plants/Offices.
- On E mail to – [ethicsproposal@hondacarindia.com](mailto:ethicsproposal@hondacarindia.com)
- On E-mail or letter to Compliance Officer/ BEC Secretariat.

In case the Complainant feels that the issues at hand are:

- Difficult to handle; or
- they are being victimized on account of reporting an issue,

they can report the same directly to the Chairperson of the Audit Committee either through mail or letter to :

The Chairperson, Audit Committee  
 Honda Cars India Limited  
 Plot No A-1, Sector 40 /41, Surajpur Kasna Road,  
 Greater Noida Industrial Development Area  
 Gautam Budh Nagar,  
 Uttar Pradesh – 201306

E-mail- [chairmanauditcommittee@hondacarindia.com](mailto:chairmanauditcommittee@hondacarindia.com)

The complainant must put his/her name to the issue/concern reported. Anonymous issues/concerns without sufficient and specific factual information will not be investigated.

**Note: It is assured that the identity of the Complainant would be protected and would not be disclosed.**

### **B.3 Safeguards to Complainant/Proposer**

As a safeguard to the Complainant from unfair treatment and other prejudicial employment/business practices, appropriate steps will be taken to ensure the following:

- Adequate safeguards against harassment or victimization of the complainant will be ensured.
- The directors and associates assisting in the investigation shall also be protected to same extent as the complainant.
- Assurance to protect the complainant's identity.

No director, manager, departmental head or any other employee with authority shall take or recommend an adverse action against the complainant in knowing retaliation for disclosing alleged wrongful conduct to BEC.

However, this does not protect a complainant from an adverse action, which occur independent of his disclosure, for a wrongful conduct by him/her or poor job performance, etc.

## **C. RESOLUTION OF CONCERNS**

### **C.1 Investigation of Concerns & Action**

It will be dealt through Business Ethics Committee (BEC). BEC will consist of non-interested functional Directors, Operating Heads and the Compliance Officer, who would be responsible for investigation of concerns received through BEPL.

Defendant would be given appropriate opportunity to respond to the investigation findings.

The Compliance Officer shall be the coordinating person for BEPL activities and will supervise and manage the operations thereof.

Meetings of BEC will be held, as necessitated, either by the Compliance Officer or more than two members, to discuss the relevance of complaints, investigation process, results / issues.

The proceedings of the meetings shall be recorded in the minutes and shall be kept by the BEC Secretariat.

Further, *Quorum for all meetings would be any 3 members, excluding the interested Director and Operating Head.* However, at least, one Director should be present in the meeting. The BEC will decide the action based on the outcome of investigation.

### **C.2 Compliance Officer & BEC Secretariat**

'Compliance Officer' refers to Sr. Vice President & Director – General Affairs

The Company Secretary will comprise the BEC Secretariat.

### **C.3 Initial Inquiries by BEC**

- Initial inquiries will be made by any of the members of BEC or Compliance Officer to determine whether an investigation is appropriate in that matter or not and the way the investigation should be made
- Some concerns may be resolved by agreed action without the need for investigation and others which are baseless, shall be discarded
- Committee may also seek help of outside agency with relevant expertise, if it considers necessary.

The results of investigation shall be shared with the complainant.

### **C.4 Reporting to Audit Committee**

The Audit Committee shall oversee (supervise and direct) the **VIGIL MECHANISM/** BEPL System. The investigation report on each complaint comprising of details of

complaint, investigation findings and actions taken by BEC on the same, will be put up by the Company Secretary in the Audit Committee Meeting for review and necessary direction.

#### **C.5 False Allegations of Wrongful Conduct**

The Complainant who knowingly makes false or bogus allegations or file repeated frivolous complaints shall be subject to appropriate action as decided by the Audit Committee in accordance with Company rules, policies, and procedures.

#### **D. CONFIDENTIALITY**

BEC shall determine whether or not to treat an issue as a secret, according to the request of the Complainant and the contents thereof. Even otherwise, the intention in each case should be to treat it as confidential.

BEC members, BEC Secretariat, the Complainant, persons against whom complaint is being investigated, and all other persons engaged in BEPL activities/ process shall maintain secrecy in accordance with the previous provision as under:

- i. Not discuss the matter in any informal/social gatherings/meetings
- ii. Discuss only to the extent or with the persons required for the purpose of completing the process and investigations
- iii. Not keep the papers unattended anywhere at any time
- iv. Keep the electronic mails/files under password

If anyone is found not complying with the above, he/she shall be held liable for such disciplinary action as is considered fit by the BEC or Audit Committee.

#### **E. COMMUNICATION**

Directors, Associates and the Business Partners shall be informed of the Policy through e-mails, putting up of Posters on the notice boards, i-manage and the website of the Company.

#### **F. RETENTION OF DOCUMENTS**

All disclosures in writing or documented along with the results of investigation relating thereto, shall be retained by the Company for a period of 8 (eight) years or such other period as specified by any other law in force, whichever is more.

#### **G. AMENDMENT**

The Company reserves the right to amend or modify the Policy, at any time without assigning any reason. However, no such amendment would be binding unless same is communicated in the manner above.